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FARMERS' NEWSLETTER

Wheat



April 81/W-17

Record Wheat Plantings

Buoyed by last fall's relatively good wheat prices and free from set-aside requirements, wheat producers seeded a record 64 million acres for their 1981 winter crop. That's up 6.5 million acres from 1980. Similar planting decisions by Durum growers also point to an increased Durum area, while other spring wheat area may decline slightly.

As of March 1, Durum producers said they planned to increase acreage 11 percent. Producers of all other spring wheat said they would seed 1/2 million fewer acres than last year.

Durum acreage in the Northern Plains may be up about 9 percent, or 455,000 acres. "Desert Durum" growers in California and Arizona indicated they'd seed 155,000 additional acres this spring, 58 percent more than last year. Hard Red Spring wheat acreage in major States should be down about 1 percent while reduced plantings of spring White wheat appear likely.

Some spring wheat area may be lost due to larger barley plantings. Also, since winter wheat in the Northwest suffered only minimal loss to winter-kill, there will probably be less replanting to spring wheat in that area.

In the Northern Plains, prospects for a return to more normal yields are a bit shaky, as soil moisture is only slightly improved from last year's dry conditions. Nevertheless, a larger 1981 spring wheat harvest seems likely.

TOTAL WHEAT ACREAGE UP SHARPLY

	1978	1979	1980	1981
	Million acres			
Winter	47.6	51.8	57.4	63.9
Durum	4.1	4.0	5.5	6.1
Other spring.	14.3	15.6	17.5	17.0
Total	66.0	71.4	80.4	87.0

Altogether, U.S. wheat acreage will likely reach 87 million acres this year, up 8 percent from 1980 and 4 percent above the 1949 record of 83.9 million.

Early Outlook Suggests Record Crop This Year

When the new marketing year begins next June 1, wheat stocks are likely to about equal the June 1980 carryin of around 900 million bushels. With the winter crop currently forecast at a record 1.98 billion bushels and the outlook for spring wheat yields to improve from their drought-reduced 1980 levels, the total 1981/82 wheat supply could be up 3 to 7 percent from this year's record 3.3 billion bushels.

The strong possibility that U.S. wheat production will hit an alltime high in 1981 means that to maintain market prices, demand must increase.

The Farmers' Newsletter is written and published by USDA's Economics and Statistics Service and approved by the World Food and Agricultural Outlook and Situation Board. Principal contributor to this issue: Allen G. Schienbein (202) 447-8776. The next wheat newsletter is scheduled for early June.

SUPPLY AND USE REACH HIGH LEVELS

	1978/79	1979/80 Preliminary	1980/81 Forecast*
Million bushels			
Supply:			
Beginning stocks . . .	1,178	924	902
Production.	1,776	2,134	2,370
Imports	2	2	2
Total supply.	2,956	3,060	3,274
Use:			
Food.	592	595	605 ± 5
Seed	87	101	110 ± 5
Feed	159	87	125 ± 25
Exports	1,194	1,375	1,525 ± 50
Total use.	2,032	2,158	2,365 ± 65
Ending stocks	924	902	909 ± 65
Dollars per bushel			
Avg. farm price	2.97	3.78	3.95 - 4.05

*As of March 11, 1981.

The demand outlook depends heavily on the world trade situation. With world wheat stocks currently their lowest since the mid-1970's, the trade outlook hinges on the size of Northern Hemisphere wheat and coarse grain harvests. Currently, prospects are favorable for winter wheat crops in the Northern Hemisphere.

However, a major shortfall would be filled by the large U.S. supply. In response, farm prices would probably exceed this season's average of around \$4 a bushel. On the other hand, bumper crops overseas, particularly in countries that are major competitors, would limit U.S. exports and price advances. If this occurs, the farmer-owned reserve and loan programs could significantly influence next year's prices, because all production is eligible for these programs.

Meantime, domestic use will probably edge a bit higher, with wheat feeding to livestock likely to rise early in the season because of relatively higher

prices and short supplies of feed grains.

1981 Wheat Program Takes Final Shape

Provisions of the 1981 wheat program were announced last August. The major decision--no set-aside program for the 1981 crop--is set in concrete. Legislation in December removed the requirements that you plant your 1981 crop within your normal crop acreage (NCA).

So, you're eligible for support loans, the reserve program, target price protection, and disaster program coverage on all acres seeded for harvest.

The August announcement also tentatively pegged the target price and loan rates to at least \$3.81 and \$3 per bushel, respectively. On March 31, much of the 1981 wheat program was set in final form. The target price remains at \$3.81 per bushel. However, the regular loan rate was raised 20 cents to \$3.20 per bushel. The higher loan establishes the release price at \$4.48 a bushel and the call at \$5.60 for wheat already in the reserve. The reserve loan rate went from \$3.30 to \$3.50 per bushel.

There will be no land diversion or special grazing and hay programs for the 1981 crop.

WHEAT PRICES FADE AS NEW CROP APPROACHES

State	January		February		March	
	1980	1981	1980	1981	1980	1981 ¹
Dollars per bushel						
Illinois	4.06	4.56	4.12	4.41	3.90	4.10
Kansas	3.71	4.04	3.73	3.96	3.48	3.74
North Dakota . . .	3.69	4.67	3.78	4.46	3.73	4.27
Oklahoma	3.98	4.23	3.88	4.03	3.62	3.89
Washington . . .	3.86	4.20	3.97	4.23	3.81	4.15
United States	3.74	4.21	3.78	4.17	3.64	3.93

¹ Mid-month.

MAJOR WHEAT CLASSES: WHERE THEY STAND¹

Year beginning June 1, 1980	Hard Winter	Soft Red	Hard Spring	Durum	White	Total
Million bushels						
Beginning stocks	440	40	285	61	76	902
Production	1,185	428	311	108	338	2,370
Supply, total	1,625	468	² 597	² 170	414	3,274
Domestic						
disappearance	405	150	168	50	67	840
Exports	740	295	185	60	245	1,525
Disappearance, total	1,145	445	353	110	312	2,365
Ending stocks	480	23	244	60	102	909

¹ Includes flour and products in wheat equivalent. ² Includes imports.

The Agricultural Act of 1980 waived interest charges for the first year of the 3-year farmer-owned reserve loans (the second and third year have always been interest-free). However, this may change: Recent Federal budget proposals to Congress include a recommendation to rescind this waiver which would otherwise apply to 1981 wheat enrolled in the reserve.

While you've been able to put your 1980 wheat directly into the reserve, in the past you had to keep your regular loan to maturity (9 months) before you could enter grain into the reserve. The decision on reserve entry dates for the 1981 crop will be made at a later date.

Wheat Classes: The Picture Changes

Last August, the Wheat newsletter looked at early supply and demand prospects for each of the five major wheat classes. With the marketing year heading into the homestretch, the class estimates have been revised. The table above outlines current projections.

- Stocks of Hard Red Winter (HRW) are at their highest level in nearly two decades due to 1980's record 1.2-billion-bushel crop and a slowdown in disappearance--particularly exports. Early season overseas shipments of HRW were off a fourth from a year ago, but exports have picked up since January

and another good trade year is in the making.

Total HRW exports may exceed last season's record 725 million bushels. Still, Hard winter wheat disappearance this year will be smaller than the bumper crop, causing June 1 carryover stocks to rise to about 480 million bushels. However, nearly 60 percent of the supply will be isolated from the market in the reserve program or owned by CCC.

- Hard Red Spring (HRS) faces reduced demand, as a tightening supply--caused by the 1980 drought--drives up prices. HRS prices have rebounded to their traditional premium levels, but the result has been reduced export activity.

Total exports are likely to be down from the past 2 years when they climbed to more than 200 million bushels each year. In addition, ending stocks on May 31 will be lower for the third straight year with nearly two-thirds of the estimated 244 million bushels in the farmer-owned reserve or owned by CCC.

- Durum exports ran strong early this year, mainly a spinoff from record loadings during 1979/80. Since then, however, demand has fallen off as buyers responded to quality concerns and high prices. Since last July, market prices have hovered around \$7

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per bushel, compared with \$4.50 for hard wheats.

Reduced purchases by all regular Durum buyers will cause total exports to drop 20-25 million bushels below last season's record 83 million. Even so, yearend stocks will be reduced to the lowest level in 5 years.

● The Soft Red Winter (SRW) situation looks like a "sellout." The year began with a record 468 million bushels on hand as the SRW crop topped 400 million bushels for the first time. Large sales to the Chinese whittled away at this supply, and storage bins may be quite low when the marketing year ends on May 31.

Chinese purchases alone are likely to reach 200 million bushels. This would constitute the largest sale of a single class of wheat to one country since the early seventies, when over 300 million bushels of Hard Red Winter went to the Soviet Union.

● This year's supply of White wheat was the largest ever because of 1980's record harvest--nearly 80 million bushels above the year before. As a result, demand rose sharply because White wheat has been the "best buy" at dockside for most of the season.

Exports will be record size, helped by expanded sales to China and other price-minded buyers. But despite this increased demand, the record large crop will mean a sizable stock buildup at yearend.

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Apr. 15	Crops & Weather
Apr. 16	Farm News Special
Apr. 17,18,19	Farm News Special
Apr. 20	Cattle on Feed
Apr. 21	Eggs, Chickens, Turkeys
Apr. 22	Farm News Special
Apr. 23	Grain Stocks
Apr. 24,25,26	Red Meat Production
Apr. 27	Peanut Stocks
Apr. 28	Soybean Situation
Apr. 29	Agricultural Outlook
Apr. 30	Farmers' Prices
